

# The Economic Impact of Medicaid Expansion

## Executive Summary

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Expansion of Medicaid eligibility for adults earning up to 138 percent of the federal poverty level (FPL) is expected to inject \$17.4 billion in new federal spending into Missouri's economy from 2015 to 2022. Expanding Medicaid coverage would create a total of 23,868 jobs over the 8 year period, \$9.9 billion in new wages, \$14.6 billion in new Gross State Product (GSP) and \$402 million in new state general revenue by the year 2022. The expansion would support the same number of jobs currently employed in Missouri's real estate sector. Federal spending of nearly \$1.7 billion in the first year of expansion would be on par with what the University of Missouri System paid its employees in wages and benefits during FY2013.<sup>1</sup>

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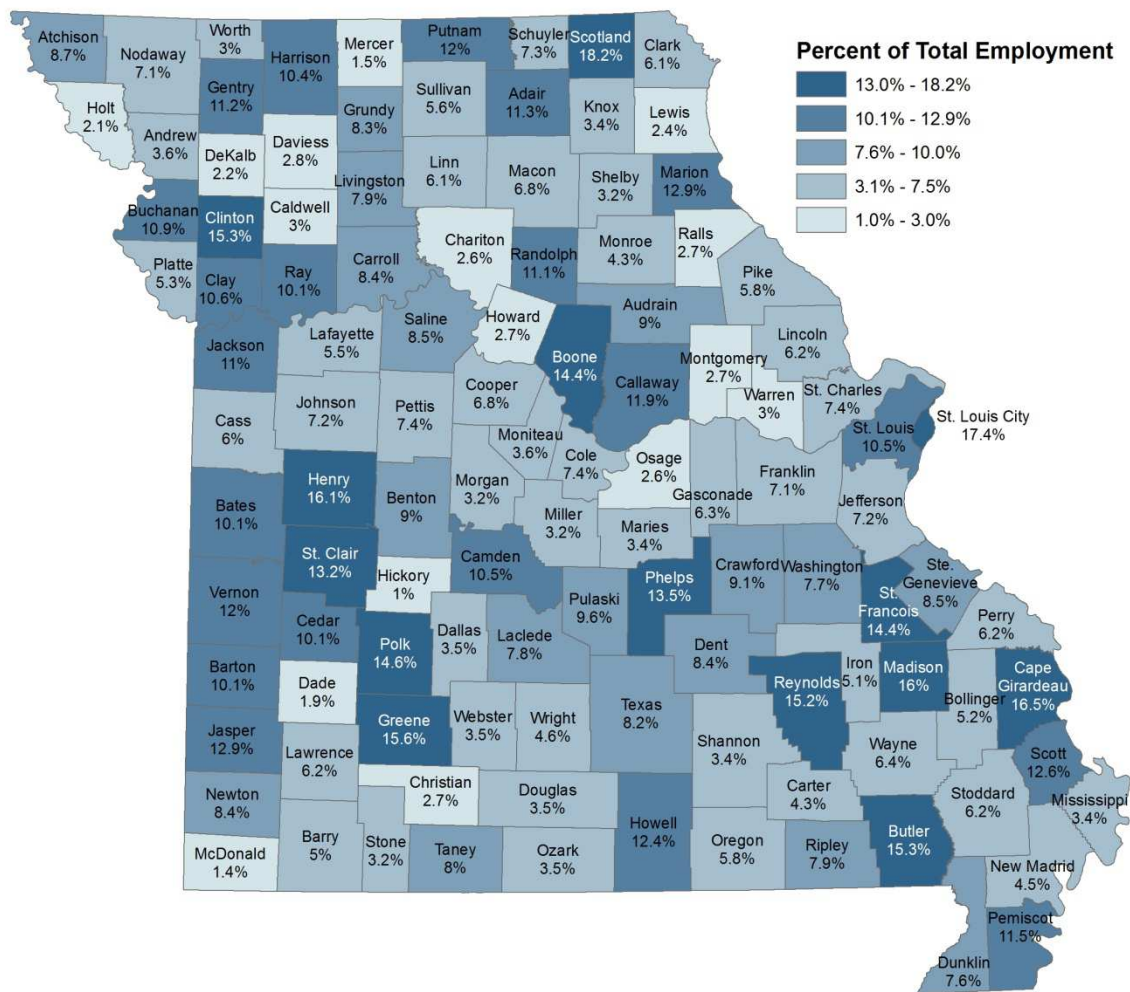
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## I. Missouri's Healthcare Industry

The healthcare sector is a major employer in Missouri, and the state's rural counties are especially dependent on healthcare industry employment.

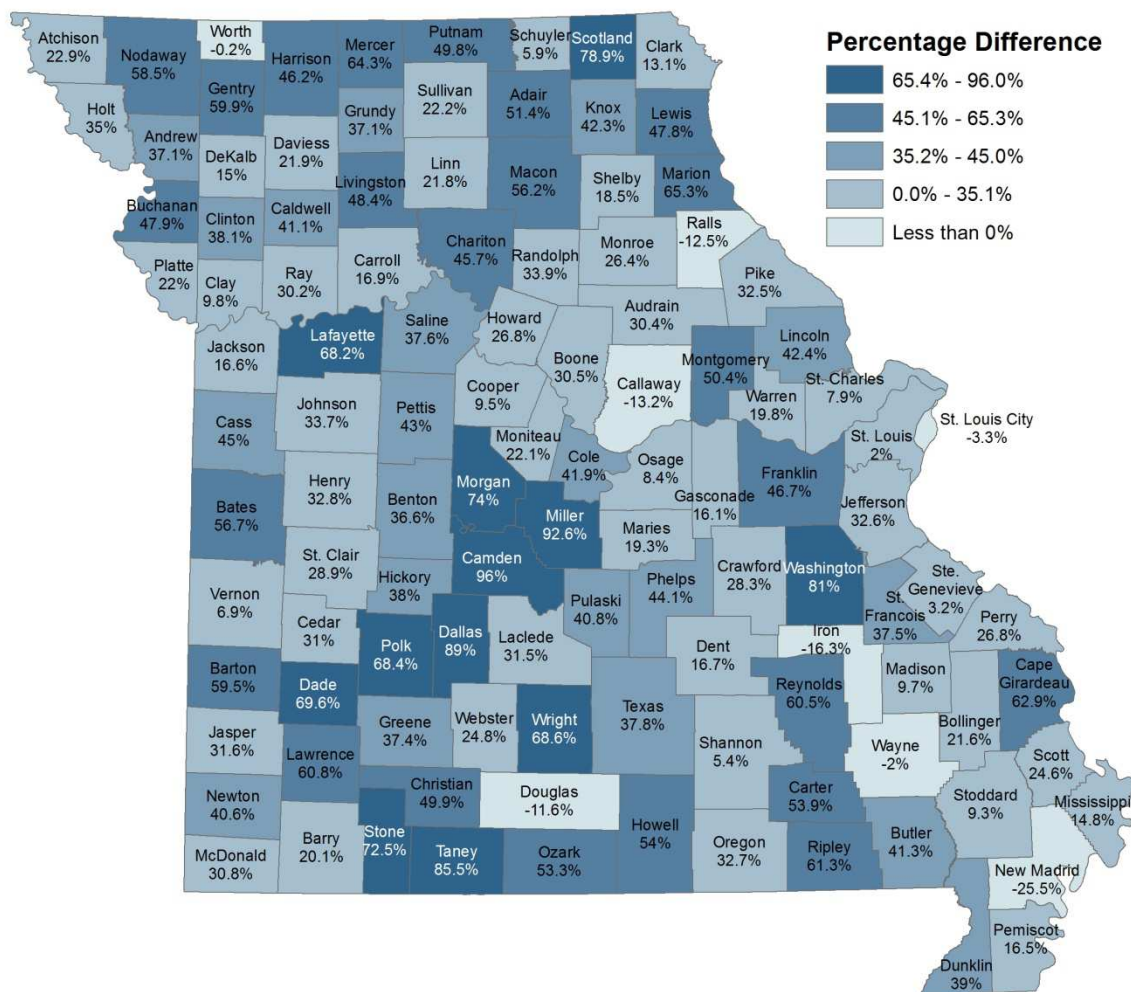
The statewide average ratio of healthcare jobs to total employment is 7.6 percent. Thirty-eight rural counties exceed this average, showing the greater dependence of these communities on the healthcare sector (see MAP 1). In 35 counties, at least 10 percent of the total employed population worked in the healthcare industry.<sup>2</sup>

**MAP 1. Healthcare Sector Employment as a Percentage of Total County Employment**



As depicted in MAP 2, average healthcare wages in both urban and rural counties are higher than the average county wages in those areas. In rural counties that average wage is \$30,246, while the healthcare wage is 46% higher at \$44,289. The average healthcare wage in urban counties is \$53,525, making it 15% higher than the overall average wage of \$46,545. The average healthcare worker earned 50 percent or more than the average county wage in 28 Missouri counties.

**MAP 2. Percent Difference in Average Healthcare Wages to Average County Wages**



## II. Assumptions and Methodology

Medicaid expansion is expected to increase federal healthcare spending in Missouri by just over \$17.4 billion dollars from FY2015 through FY2022 (see TABLE 1). Those new dollars will be used to treat patients across the state and result in additional spending by health care providers, which will have broader economic impacts over the 8-year period.

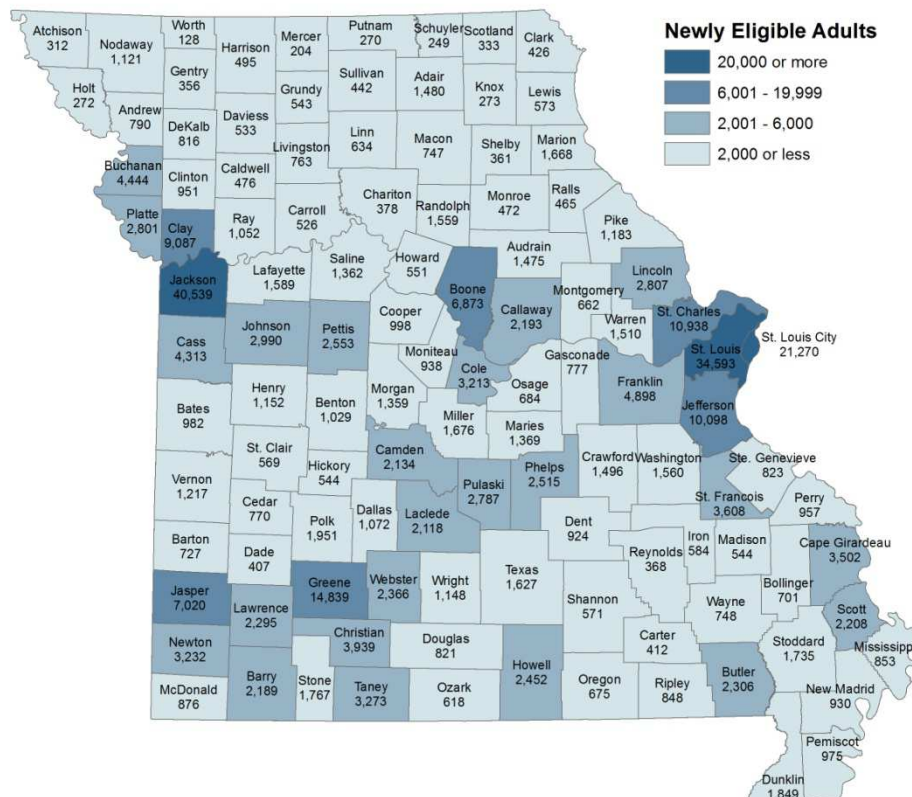
**TABLE 1. Federal Medicaid Expansion Funds (in Millions)**

Year	Amount
2015	\$1,681
2016	\$2,242
2017	\$2,197
2018	\$2,169
2019	\$2,219
2020	\$2,246
2021	\$2,284
2022	\$2,375
<b>Total</b>	<b>\$17,412</b>

Source: Missouri Office of Admin. In Fiscal Years.

It is estimated that 297,024 Missourians will become newly-eligible for Medicaid benefits in FY2015 under the proposed expansion. The number of newly-eligible adults is expected to reach 313,250 by FY2022.<sup>3</sup> The map below (see MAP 3) shows the number of newly-eligible adults by county.

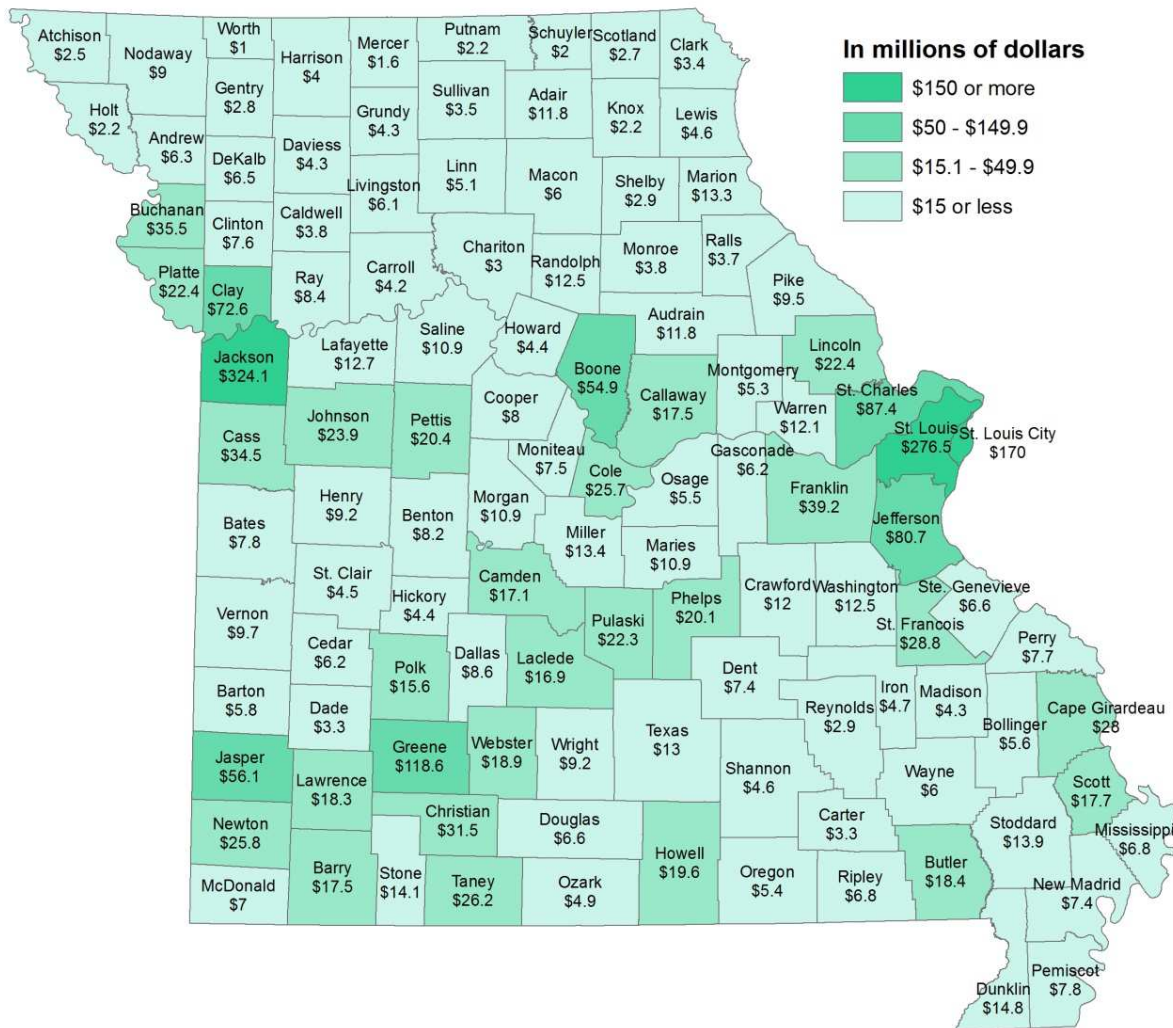
**MAP 3. Newly Eligible Adults by County in FY2015**





MAP 4 depicts the estimated provider payments in 2022 for newly-enrolled adults in each county if Medicaid is expanded. Rural counties are expected to benefit from \$893 million in provider payments in year 2022, while \$1.48 billion is projected for urban counties.

**MAP 4. Estimated Provider Payments by County for Newly Enrolled Adults in 2022**



The Missouri Economic Research and Information Center (MERIC) analyzed the economic impact of expanding Medicaid in terms of job gain, increases in wages paid to Missouri workers, rise of gross state product (GSP), and changes to state general revenue.

The Regional Economic Models, Inc. (REMI) Policy Insight model, which MERIC has utilized for over a decade to forecast statewide and regional economic impacts, was used in this analysis. Unlike static economic models such as IMPLAN, the REMI model takes into account changes over time such as the migration of new workers and families into an area which adds costs to government services. The dynamic features of the REMI model typically result in more conservative impact estimates than other economic models.

**MAP 5. REMI Regions**



Accordingly, the analysis provided in this report should be viewed as a conservative estimate of the positive impact to jobs, wages, GSP, and state revenue, as the actual impacts may be more pronounced than the estimates provided.

The REMI model is updated annually with federal data from the Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, and other agencies. In addition, MERIC calibrates the model's fiscal component with annual Missouri Office of Administration budget figures to produce more accurate estimates of the impact to state general revenue.

### III. What are the Economic Impacts of Expanding Medicaid?

Medicaid expansion during 2015-2022 is expected to increase federal healthcare spending in Missouri by over \$17.4 billion dollars.

Expanded federal Medicaid funding over the 8 year period is estimated to create a total of 23,868 jobs. These new jobs are expected to earn \$9.9 billion in cumulative wages from 2015 through 2022. Cumulative Gross State Product (GSP) is expected to grow by over \$14.6 billion and state net general revenue will increase by \$402 million.

TABLE 2 below summarizes the estimated impact on jobs, wages, GSP, and general revenue by state and regions if Missouri were to expand Medicaid coverage.

**TABLE 2. Cumulative Economic Impacts by State and Region**

Region	Jobs	Wages (in Millions)	GSP (in Millions)	State GR (in Millions)
<b>Statewide</b>	<b>23,868</b>	<b>\$9,928</b>	<b>\$14,616</b>	<b>\$402</b>
Northwest	619	\$226	\$342	\$8
North Central	412	\$121	\$193	\$5
Northeast	341	\$112	\$164	\$4
Kansas City	2,124	\$1,065	\$1,453	\$33
Greater Kansas City	2,019	\$878	\$1,259	\$31
West Central	648	\$201	\$311	\$7
Central	1,673	\$606	\$960	\$24
Upper South Central	878	\$278	\$462	\$9
St. Louis City	1,149	\$654	\$929	\$20
St. Louis County	4,454	\$2,305	\$3,285	\$100
St. Charles County	1,790	\$746	\$1,071	\$44
Greater St. Louis	2,330	\$790	\$1,139	\$39
Southwest	1,013	\$358	\$550	\$13
Greater Springfield	2,353	\$884	\$1,435	\$37
Lower South Central	460	\$137	\$213	\$6
Upper Southeast	810	\$297	\$453	\$12
Lower Southeast	796	\$268	\$397	\$10

*Notes: Average total jobs over time period. Net general revenue figures.*

TABLE 3 below summarizes the estimated economic impacts of jobs, wages, GSP and state net general revenue by year.

**TABLE 3. Annual Economic Impacts by Year**

Measure	Year							
	2015	2016	2017	2018	2019	2020	2021	2022
<b>Average Jobs</b>	19,850	26,380	25,637	24,679	24,344	23,718	23,182	23,153
<b>Wages *</b>	\$955	\$1,307	\$1,310	\$1,291	\$1,291	\$1,271	\$1,251	\$1,252
<b>GSP *</b>	\$1,483	\$1,984	\$1,941	\$1,882	\$1,869	\$1,834	\$1,806	\$1,817
<b>State GR*</b>	\$53	\$67	\$59	\$53	\$48	\$44	\$40	\$38

*\*Present value dollar figures in millions.*

The three regional maps (MAP 6-8) illustrate the distribution of positive impacts across Missouri in terms of jobs, wages, and GSP.

**MAP 6. Job Impacts by Region**

